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HONG KONG RESEARCH

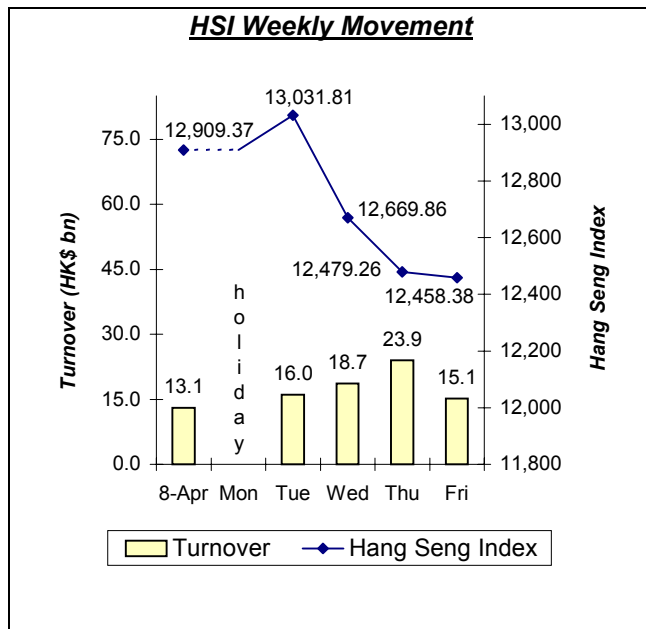
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Weekly Report

17th April, 2004

Interest-rate-hike fears thumped the local bourse



Weekly Market Statistics				
Week ended	16/04/2004	08/04/2004	Change	%
Hang Seng Index	12,458.38	12,909.37	-450.99	-3.5%
HS Red Chip Index	1,380.54	1,447.34	-66.80	-4.6%
HS China Enterprises Index	4,693.76	5,037.26	-343.50	-6.8%
HS Composite Index	1,624.40	1,689.82	-65.42	-3.9%
HS HK Composite Index	1,709.22	1,769.78	-60.56	-3.4%
HS Mainland Composite Index	1,467.40	1,545.75	-78.35	-5.1%
S&P/HKEX GEM Index	1,229.18	1,256.48	-27.30	-2.2%
Avg Daily Turnover (HK\$ bn)	18.44	14.80	+3.64	+24.6%
Sectoral Indices				
Finance	24,896.64	25,629.32	-732.68	-2.9%
Utilities	27,534.08	28,014.86	-480.78	-1.7%
Properties	15,953.55	16,798.55	-845.00	-5.0%
Comm & Ind	5,256.57	5,474.72	-218.15	-4.0%

Review & Outlook of Market Performance

The local bourse got back to action this week after the 4-day Easter holidays. Despite opening the week higher, Hong Kong stocks fell prey to fears that an interest-rate hike in the US could come earlier than expected after the nation released better than expected employment data. Property counters took the brunt of selling, with the HS Properties Sub-index tumbled 5% over the week. The benchmark index eventually landed at 12,458.38 on Friday, down 450.99 points or 3.5% from last Thursday's close. Average daily turnover was HK\$18.44 billion.

Against a strong run before the holidays, H shares faltered this week after Beijing tightened credit for the 2nd time within a month by raising the bank's reserve ratio by 0.5 percentage point to 7.5% as a move to cool the rapidly-growing economy, which grew a blistering 9.7% y-o-y in the 1st quarter of this year. With a majority of H shares being losers, the HSCEI plunged 6.8% when compared with last Thursday's close. Also in focus this week was China Telecom, which unveiled the details of its acquisition plan for 10 provincial networks from its parent company for a total consideration of 67.8 billion yuan. The amount will be settled by a cash payment of 27.8 billion yuan, which would be partially financed by an issuance of 7.49 billion new H shares, and the assumption of the debts of 40.0 billion yuan in the target networks. The mainland fixed-line operator finished the week down 9.7% to HK\$2.55.

Meanwhile, red chips were also weaker this week. The red-chip index fell 4.6% this week, with heavyweights China Mobile (HK\$22.2, -4.9%), China Unicom (HK\$6.70, -11.3%), Denway Motors (HK\$8.80, -8.8%), China Merchants (HK\$10.70, -9.3%) and Lenovo Group or the former Legend Group (HK\$2.75, -8.3%) all being losers.

Looking forward into next week, investors should closely monitor the direction of Wall Street, with many major corporates (such as Motorola, Coca Cola, Microsoft, AE and AIG) announcing their quarterly financial results. Following a dismal week, local market sentiment has faltered amid the interest-rate-rise concerns, which should have largely been reflected in the current index level. The HSI is expected to range-trade between 12,300 and 12,800 next week.

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US & Regional Markets Weekly Update

Date	US Dow Jones	US Nasdaq	JAPAN Nikkei Avg	SINGAPORE STI	MALAYSIA KLSE Index	BANGKOK SET Index	TAIPEI Weighted Index
Week to 16th April	10,451.97	1,995.74	11,824.56	1,853.99	861.81	712.20	6,818.20
9th April	10,442.03 (8/4)	2,052.88 (8/4)	11,897.51	1,901.92 (8/4)	883.09	691.39	6,620.36
Change %	+9.94 +0.10%	-57.14 -2.78%	-72.95 -0.61%	-47.93 -2.52%	-21.28 -2.41%	+20.81 +3.01%	+197.84 +2.99%

Major Changes in Index Constituent Stocks (Week ended 16th April 2004)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @16/04/04	W-O-W Changes		Remarks / Comments
			Absolute	%	
Cheung Kong	0001	HK\$63.75	-HK\$3.75	-5.6%	The interest-rate-sensitive property counters were lower this week after the latest strong US economic figures raised concerns of an earlier-than-expected interest-rate hike.
Henderson Land	0012	HK\$36.80	-HK\$2.60	-6.6%	
SHK Properties	0016	HK\$71.75	-HK\$3.50	-4.7%	
China Resources Enterprise	0291	HK\$9.40	-HK\$1.10	-10.5%	The conglomerate retreated this week following a recent rally.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @16/04/04	W-O-W Changes		Remarks / Comments
			Absolute	%	
Angang New Steel	0347	HK\$4.200	-HK\$0.675	-13.8%	The mainland commodity plays were battered by the central government's credit-tightening measures to cool off the over-investment in their respective sector.
Jiangxi Copper	0358	HK\$4.100	-HK\$0.625	-13.2%	
Anhui Conch Cement	0914	HK\$11.90	-HK\$2.00	-14.4%	
Yanzhou Coal	1171	HK\$8.65	-HK\$1.15	-11.7%	
CHALCO	2600	HK\$6.20	-HK\$0.75	-10.8%	
Tsingtao Brewery	0168	HK\$7.10	-HK\$1.45	-17.0%	The brewer plunged this week on concerns over shrinking margins amid rising costs.

Summary of US Economic News

Indicator	Change/Index	Comments
Business inventories - February	+0.7% m-o-m	Business inventories increased 0.7% in February, the largest increase since August 2000, after rising a revised 0.2% in January.
Retail sales - March	+1.8% m-o-m	Retail sales rose a better-than-expected 1.8% in March, following an upwardly-revised 1% jump in February.
Consumer price index - March	+0.5% m-o-m	CPI rose 0.5% in March after increasing 0.3% in February. Excluding the volatile food and energy prices, the "core" CPI increased 0.4% in March, the largest increase since November 2001, after rising 0.2% in February.
Trade balance - February	US\$42.1 billion deficit	Trade deficit narrowed to US\$42.1 billion in February from January's revised record level of US\$43.5 billion. In February, exports jumped 4% while imports rose 1.6%, both to record levels.
Housing starts - March	+6.4% m-o-m	Housing starts rose 6.4% to a higher-than-expected seasonally-adjusted annual rate of 2.01 million units in March.
Industrial production - March	-0.2% m-o-m	Industrial production fell 0.2% in March following a revised 0.8% gain in February.

Forthcoming Important Announcements / Events

19 th April, 2004 (Monday)	HK	: Shougang Concord International (0697) – final results Tai Ping Carpet (0146) – final results Varitronix International (0710) – final results
	US	: Leading indicators – March 3M Co – Q1 results Eli Lilly & Co – Q1 results Fannie Mae – Q1 results Kraft Foods Inc – Q1 results Wachovia Corp – Q1 results
20 th April, 2004 (Tuesday)	HK	: Continental Mariner Investment (0119) – final results Guangshen Railway (0525) – final results Hongkong Chinese Ltd (0655) – final results Jilin Chemical (0368) – final results Tingyi (Cayman Islands) (0322) – final results Xiniao Gas (2688) – final results
	US	: Alcon Inc – Q1 results Altria Group Inc – Q1 results General Motors Corp – Q1 results Lucent Technologies Inc – Q2 results M&T Bank Corp – Q1 results Motorola Inc – Q1 results Pfizer Inc – Q1 results Sprint Corp-Fon Group – Q1 results US Bancorp – Q1 results
21 st April, 2004 (Wednesday)	HK	: Far East Technology International (0036) – final results Sinolink Worldwide (1168) – final results
	US	: Bank of New York Co Inc – Q1 results Coca-Cola Co – Q1 results Colgate-Palmolive Co – Q1 results eBay Inc – Q1 results Ford Motor Co – Q1 results Qualcomm Inc – Q2 results
22 nd April, 2004 (Thursday)	HK	: Unemployment rate – January-March Brilliance China (1114) – final results China Aerospace (0031) – final results China Merchants China Direct Investments (0133) – final results Harbin Brewery (0249) – final results Hong Kong Construction (0190) – final results Ocean Grand (1220) – final results
	US	: Amazon.com Inc – Q1 results American Express Co – Q1 results American International Group Inc – Q1 results AT&T Corp – Q1 results Consolidated Edison Inc – Q1 results Kellogg Co – Q1 results Kimberly-Clark Corp – Q1 results MBNA Corp – Q1 results Merck & Co Inc – Q1 results Microsoft Corp – Q3 results Universal Parcel Service Inc – Q1 results Viacom Inc – Q1 results
23 rd April, 2004 (Friday)	HK	: Consumer price index – March Bonjour (0653) – final results China Life Insurance (2628) – final results China Southern Airlines (1055) – final results China Strategic (0235) – final results Great Wall Technology (0074) – final results Haier-CCT (1169) – final results Lippo (0226) – final results PICC Property & Casualty (2328) – final results
	US	: Durable-goods orders – March Producer price index – March Xerox Corp – Q1 results